



**Rule(s) Review Checklist Addendum**  
**(This form must be filled out electronically.)**

**This form is to be used only if the rule(s) was/were previously reviewed, and hasn't/haven't been amended/repealed subsequent to that review.**

All responses should be in **bold** format.

Document Reviewed (include title): **WAC 458-20-196**

**Credit losses, bad debts, recoveries**

Date last reviewed: **9/23/97**

Current Reviewer: **JoAnne Gordon**

Date current review completed: **8/23/01**

Is this document being reviewed at this time because of a taxpayer or association request? (If "YES", provide the name of the taxpayer/association and a brief explanation of the issues raised in the request). **YES** ☐ **NO** ☒

Type an "x" in the column that most correctly answers the question, and provide clear, concise, and complete explanations where needed.

**1. Related statutes, ancillary documents, court decisions, BTA decisions, and WTDs:**  
(Excise Tax Advisories (ETAs), Property Tax Advisories (PTAs), Property Tax Bulletins (PTBs) and Audit Directives (ADs) are considered interpretive statements.)

| YES | NO       |  |
|-----|----------|--|
|     | <b>X</b> | Are there any statutory changes subsequent to the previous review of this rule that should be incorporated?  |
|     | <b>X</b> | Are there any interpretive statements not identified in the previous review of this rule that should be incorporated? (An Ancillary Document Review Supplement should be completed for each and submitted with this completed form.)   |
|     | <b>X</b> | Are there any ancillary documents that should be repealed because the information is currently included in this or another rule, or the information is incorrect or not needed? (An Ancillary Document Review Supplement should be completed for each and submitted with this completed form.) |
|     | <b>X</b> | Are there any Board of Tax Appeal (BTA) decisions, court decisions, or Attorney Generals Opinions (AGOs) subsequent to the previous review of this rule that provide information that should be incorporated into this rule?   |
|     | <b>X</b> | Are there any administrative decisions (e.g., Appeals Division decisions (WTDs)) subsequent to the previous review of this rule that provide information that should be incorporated into the rule?  |
|     | <b>X</b> | Are there any changes to the recommendations in the previous review of this rule with respect to any of the types of documents noted above? (An  |



|  |  |   |
|--|--|---|
|  |  | Ancillary Document Review Supplement should be completed if any changes are recommended with respect to an interpretive statement.) |
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If the answer is “yes” to any of the questions above, identify the pertinent document(s) and provide a brief summary of the information that should be incorporated into the document.

**2. Additional information:** Identify any additional issues (other than that noted above or in the previous review) that should addressed or incorporated into the rule.

**The rule currently explains that when recovery of amounts or portions of amounts that have been charged off the books and for which the bad debt deduction has been taken occurs, such amounts must be reported under the gross proceeds of sales or gross income. While there is no need to revise Rule 196 at this time, at such time this rule is revised the Department should consider addressing the effect of amounts retained by collection agencies have on the measure of tax or bad debt deduction/credit.**

**3. LISTING OF DOCUMENTS REVIEWED:** The reviewer need identify only those documents that were not listed in the previous review of the rule(s). (Use “bullets” with any lists, and include documents discussed above. Citations to statutes, ancillary documents, and similar documents should include titles. Citations to Attorneys General Opinions (AGOs) and court, Board of Tax Appeals (BTA), and Appeals Division (WTD) decisions should be followed by a brief description (i.e., a phrase or sentence) of the pertinent issue(s).)

Statute(s) Implemented: **None**

Ancillary Documents (i.e., ETAs, PTBs, and ADs): **None**

Court Decisions: **None**

Board of Tax Appeals Decisions (BTAs): **None**

Administrative Decisions (e.g., WTDs):

**Det. No. 97-219R, 17 WTD 162 explains that a seller who makes installment sales and collects an additional charge for the purpose of extinguishing the debt if the property is stolen or destroyed may not use the deduction for bad debts when such events actually occur. The bad debt deduction is available in those situations where the seller is unable to collect amounts that are due and owing to the seller. Because the additional charge forgives the remaining debt if the property is stolen or destroyed, there is no debt due or owed to the seller.**

Attorney General’s Opinions (AGOs): **None**



Other Documents (e.g., special notices or Tax Topic articles, statutes or regulations administered by other agencies or government entities, statutes, rules, or other documents that were reviewed but were not specifically relevant to the subject matter of the document being reviewed):

None

#### 4. Review Recommendation:

\_\_\_\_\_ **Amend**

\_\_\_\_\_ **Repeal** (Appropriate when repeal is not conditioned upon another rule-making action.)

  X   **Leave as is** (Appropriate even if the recommendation is to incorporate the current information into another rule.)

\_\_\_\_\_ **Begin the rule-making process for possible revision.** (Applies only when the Department has received a petition to revise a rule.)

**Explanation of recommendation:** Provide a brief summary of any changes you've identified/recommended earlier in this review document. If this recommendation differs from that of the previous review, explain the basis for this difference. If recommending that the rule be amended, be sure to note whether the basis for the recommendation is to:

- Correct inaccurate tax-reporting information now found in the current rule;
- Incorporate legislation;
- Consolidate information now available in other documents (e.g., ETAs, WTDs, court decisions); or
- Address issues not otherwise addressed in other documents (e.g., ETAs, WTDs, court decisions).

**WAC 458-20-196 is written in a clear and concise manner and continues to meet its goals and purposes. However, at such time as the rule is revised, the rule drafter should consider expanding the explanation about the treatment of the recovery of amounts deducted as bad debts. Consideration should also be given to clarifying that the bad debt deduction is not available when a seller forgives a debt as provided in Det. No. 97-219R, 17 WTD 162.**

5. Manager action: Date: \_\_\_\_\_

\_\_\_\_\_ Reviewed and accepted recommendation

Amendment priority:

\_\_\_\_\_ 1



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\_\_\_\_ 3  
\_\_\_\_ 4

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